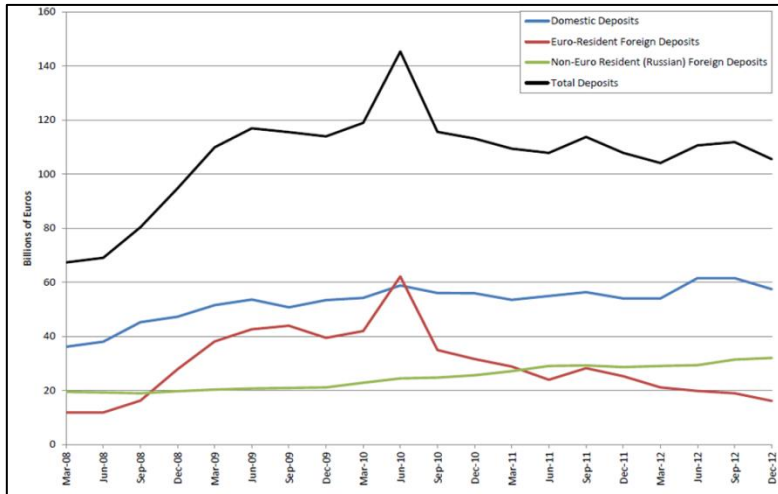


Market Recap

Cyprus Deposits



Source: European Central Bank

Total Savings and Investments

(not including value of primary residence or defined benefit plans)

	All Workers	Ages 25-34	Ages 35-44	Ages 45-54	Ages 55+
Less than \$10,000	46%	60%	46%	40%	36%
\$10,000 - \$24,999	11%	15%	12%	11%	7%
\$25,000 - \$49,999	9%	9%	11%	6%	9%
\$50,000 - \$99,999	10%	8%	10%	13%	8%
\$100,000 - \$249,999	12%	7%	13%	14%	18%
\$250,000 or more	12%	2%	8%	16%	24%

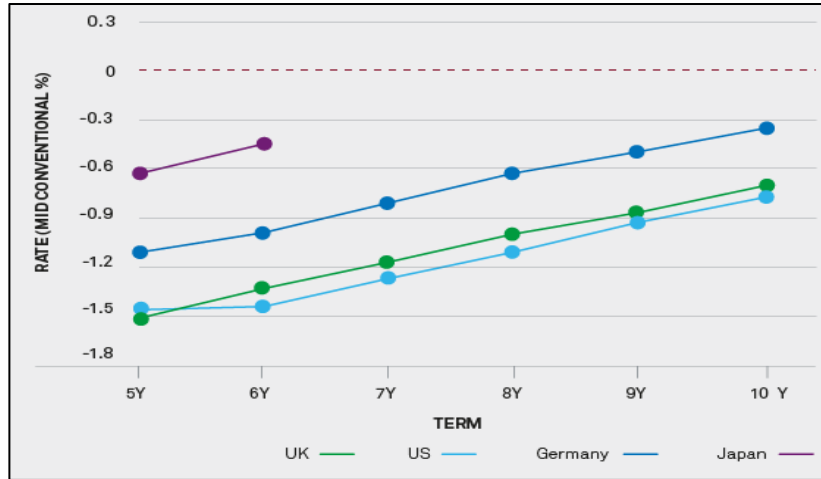
Source: Employee Benefit and Research Institute

Despite accounting for just 0.2% of the Euro Zone's economy, the small island nation of Cyprus is a major world banking center. The financial sector accounts for roughly 45% of the country's total gross domestic product. With an economy too small to support the debt needed to recapitalize its banks, the country must turn to the European Union for some form of aid. The EU is offering Cyprus a difficult choice: shrink the banking sector and impose a levy on deposit holders or see the country's banks fail. Lawmakers are scrambling for an 11th-hour solution that does not involve taxing depositors. Negotiations with Russian officials for a gas-for-cash deal also failed to bear fruit. Without approval for new measures, the country will not receive the €10 billion, or \$13 billion, bailout it has requested. Without aid, the country faces the possibility of a disorderly default and could end its membership in the European Union.

New data from the Employee Benefit and Research Institute indicates that 57% of U.S. workers have less than \$25,000 in total household savings and investments, excluding their homes. Only 42% of those 55 and over have \$100,000 or more in retirement savings. The survey also found that 28% of Americans have no confidence that they will have enough savings to retire comfortably (the highest level in the study's 23-year history). Perhaps even more alarming is the fact that many people have no idea how much they will need during retirement. Twenty-one percent of those surveyed feel they need between \$250,000 and \$499,999 to retire comfortably, while 29% think they need to save less than \$250,000. A lump sum of \$250,000 with a disbursement rate of 6% will produce an annual income of \$15,000. Even combined with social security income, that hardly seems like the makings of a comfortable retirement.

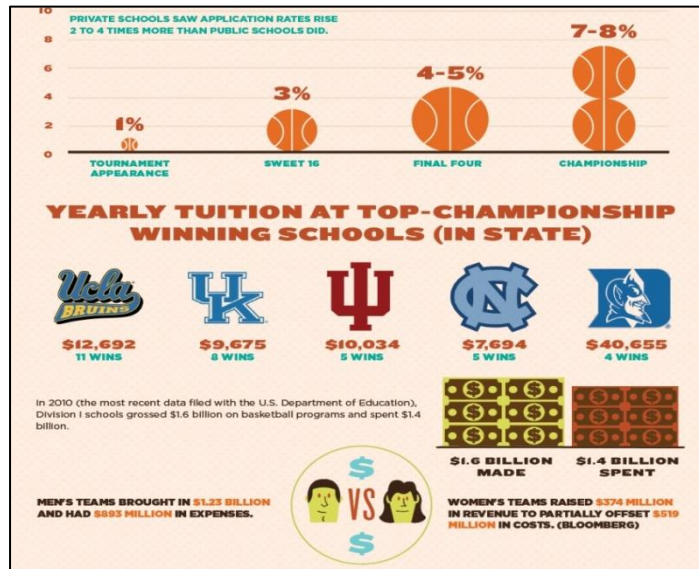
Market Recap

Real Rates for Developed World Government Bond Yields



Source: Bloomberg; Blackrock

NCAA Basketball Tournament



Source: U.S. News; H&R Block

The latest fund flows data shows that investors continue to invest in bonds. However, there is a strong argument that there is very little intermediate or long-term value in government bonds. Real yields (inflation-adjusted) are negative across the yield curves in the U.S., U.K., and Japan, and at the shorter end of the yield curves in countries like Germany and Switzerland. Essentially, investors are paying these governments to hold their money. If you consider the 5-year U.S. Treasury yield (currently 0.8%) versus current CPI inflation readings (1.5% to 2.5%), bond investors are earning nothing after inflation and taxes. There is also interest rate risk (when rates rise, bond prices fall). Given all of this, one might expect government bonds to be cheap, but in fact they are expensive relative to many stock valuation measures. Stock yields versus bond yields are currently the least expensive that they have been since the early 1950s.

The NCAA basketball tournament makes millions of Americans once-a-year gamblers participating in office bracket pools. Millions of dollars of productivity are lost as workers follow the tournament. There is big money involved in college sports. The University of Texas generated \$150 million in sports-related revenue in 2011, making it the most lucrative school. High profile sports, namely football and men's basketball, are often expected to cross-subsidize all the other sports programs. The numbers mask the role that sports has evolved to play for universities. Alumni of U.S. colleges donate to their alma maters on a scale unknown in the rest of the world, and sports are a significant part of the reason why. Further, success on the field or court has a profound impact on the level of school recognition and enrollment; sports is one of the few ways that a school can vault itself toward national prominence, as a run in the basketball tournament typically provides an enormous public relations benefit to the school.

Contact: If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at www.harbourcapitaladvisors.com.

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